

Property Assessed Clean Energy (PACE) Program, Article 7

“Shall the voters designate the Town of Pawlet of as a Property Assessed Clean Energy (PACE) District to enable participating property owners to access funding for eligible energy efficiency and renewable energy projects and then pay back the cost as a regular municipal assessment on that property owner’s property tax or other municipal bill as provided for by 24 V.S.A. Chapter 87 (Section 3261 et seq.) and authorize the Select Board to enter into an agreement with Vermont Energy Investment Corporation d/b/a Efficiency Vermont to operate the PACE program?”

What is PACE? PACE is a program set up by the Vermont Legislature that allows Vermont towns to make loans to town residents for energy-related improvements on their homes. The goal is to save on fuel and electricity costs. If a Town votes to create a PACE district, the Town can make these loans available to its residents. The loans are only for approved energy-efficiency and alternative energy projects on residential homes in the Town. The basic idea is that the homeowner’s savings on energy should be more than the cost of financing the project. Loan terms are attractive – good fixed rates and up to 20 years long – and are paid back through an added assessment to the home’s property tax bill (the “loans” are actually called assessments). If a home with a PACE loan is sold, the loan can remain with the property and is then taken on by the new owner who will continue to get the energy savings. The loan can also be paid off, if the homeowner prefers.

Is PACE new? PACE programs have been operating in California, Colorado and New York for several years. Vermont passed PACE program legislation in 2009. So far, about 50 towns in Vermont have already voted to create their own PACE districts.

Why is the Town involved with PACE? The Town is involved because it bills and collects property taxes, and that is how the loans get paid back. The town also puts a lien on PACE loan property, the same way a mortgage creates a lien on the property.

Why is a vote required? While only those homeowners who sign up for PACE actually pay for it, the fact that municipalities are involved necessitates the full community’s support. That means an affirmative community vote is required. The vote is only about establishing a PACE district. Voters are not approving the expenditure of any funds or approving their own participation in the program. An affirmative vote creates the district and thus the opportunity for residents who want to take advantage of the PACE financing mechanism.

Is the town going to be making loan decisions, and/or be doing the paperwork for PACE loans? The Town’s role in PACE loans is actually pretty small. Loan applications, approvals, paperwork, calculations, funding, etc. will be handled by Efficiency Vermont, as Administrator for the Town. The Town’s role will mostly be to collect the additional property tax and send it on to Efficiency Vermont.

Where does the money come from? Efficiency Vermont is setting up a bank loan arrangement to provide the funding for all Towns that use Efficiency Vermont as Administrator. The Town becomes a party to that agreement, but is only liable for passing through property tax assessments received from the PACE participants in the Town.

Does this cost the Town's taxpayers anything, and could the Town lose money if loans are not paid? All costs of the program are built into the loan pricing, so having a PACE program will not cost the Town (or taxpayers who don't take out PACE loans) anything. The Town is also not responsible for any loan repayments. The Town bills the additional property tax amount along with the regular property tax bill and does its usual process of collecting the taxes. The banks lending the money take the risk of non-payment; reserve funds are included in the program to make this attractive enough for the banks to provide good fixed-rate lending rates.

Why should Pawlet set up a PACE district and program? Where PACE has been implemented, it has helped reduce a key barrier to homeowners making very sensible and economically attractive investments in energy efficiency and renewable energy improvements for their homes. That barrier is a lack of sufficient upfront capital or the difficulty in accessing financing for these projects. PACE loans also have a very significant advantage over other possible sources of borrowing – in that the loans are long term, and they are designed to stick with the property, even when the property is sold.

What types of energy projects can be financed by a PACE assessment? Eligible projects are limited to: (1) measures that are permanently attached to the property; (2) measures that reduce the net energy requirements for the affected building; and (3) energy-related repair, health and safety measures that may be required to be included in a comprehensive energy efficiency improvement project to secure the energy savings of the project.

Some examples would be: blower-door guided air sealing; insulating walls, attics, basements; installing energy-efficient light fixtures; sealing and insulating ducts; insulating pipes; upgrading heating systems and water heaters to higher efficiency; installing ceiling fans; replacing/renovating windows or doors; heat pumps; heat-recovery ventilation systems; efficient exhaust-only ventilation systems; hot water heat recovery systems; services of an energy expert/professional.

Renewable energy projects that could qualify would include: solar water heating systems; biomass energy heating systems; small wind systems; micro-hydro systems; solar water or space heating systems; solar electric (photovoltaic) systems; small wind or micro-hydro systems.

Where can I find additional information? Contact Efficiency Vermont at 802-860-4095 or visit www.efficiencyvermont.com.